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Annual Report

Fiscal year ended February 3

1962

City Stores Company

BOARDS

Department Stores

LIT BROTHERS
Bernard Litvak, *Chairman of Board*
Jared L. Rosenthal, *President*

PENNSYLVANIA:
Philadelphia
69th Street (Upper Darby)
Northeast Philadelphia
Oregon Avenue (South Philadelphia)
Lawrence Park (Broomall)
Morrisville
Willow Grove

NEW JERSEY:
Atlantic City
Camden
Trenton

MAISON BLANCHE
Isidore Newman, II, *Chairman of Board*
Eldridge P. Jones, *President*

LOUISIANA:
New Orleans
Carrollton
Gentilly
Airline Highway
West Side
Gentilly Woods

LOVEMAN, JOSEPH & LOEB
Paul L. Dowd, *President*

ALABAMA:
Birmingham
Montgomery
Bessemer

LANSBURGH'S
Charles H. Jagels, *President*

DISTRICT OF COLUMBIA:
Washington

MARYLAND:
Langley Park

VIRGINIA:
Arlington (Shirlington)

LOWENSTEIN'S
Stanley H. Fried, *President*

TENNESSEE:
Memphis
East
South
Home Service

RICHARDS
Paul S. Walker, *President*

FLORIDA:
Miami
163rd Street
Miami Beach
Cutler Ridge
Westchester*

KAUFMAN'S OF KENTUCKY
Arnold J. Mayo, *President*

KENTUCKY:
Louisville
Dixie Manor
Shelbyville

R. H. WHITE
Harold A. Broomfield, *Executive Head*

MASSACHUSETTS:
Worcester

CITYMART
Anthony G. Rispoli, *President*

MASSACHUSETTS:
Boston*

HEARN'S
Gwillym R. Thomas, *Executive Head*

NEW YORK:
Bronx
Bay Shore

Specialty Stores

FRANKLIN SIMON
Benjamin Goldstein, *President*

CONNECTICUT:
Milford
Westport

DELAWARE:
Wilmington

DISTRICT OF COLUMBIA:
Washington

GEORGIA:
Atlanta
Lenox Square

MARYLAND:
Harundale Center
Mondawmin
Towson Center
Wheaton Plaza
Prince Georges Plaza*

MASSACHUSETTS:
Boston

MICHIGAN:
Detroit
Northland Center
Eastland Center

MISSOURI:
Crestwood

NEW JERSEY:
East Orange
Eatontown
Hackensack
Haddonfield
Menlo Park
Morristown
Paramus

NEW YORK:
New York City
Buffalo – downtown and Thruway Plaza
Cross County
Garden City
Hicksville
Huntington
Manhasset
Roosevelt Field
Valley Stream

NORTH CAROLINA:
Charlotte

OHIO:
Cleveland
Swifton

PENNSYLVANIA:
Philadelphia
Germantown
Willow Grove

TENNESSEE:
Memphis

VIRGINIA:
Seven Corners

Junior Department Stores

KLINE'S
Jack C. Smith, *President*

MISSOURI:
Kansas City
Ward Parkway*

Home Furnishings Stores

W & J SLOANE
Leonard J. Novogrod, *President*

CALIFORNIA:
San Francisco
Los Altos
Oakland†
Sacramento
Walnut Creek
Redwood City†*
San Jose

CONNECTICUT:
Milford
Stamford

DISTRICT OF COLUMBIA:
Washington (2)
Spring Valley

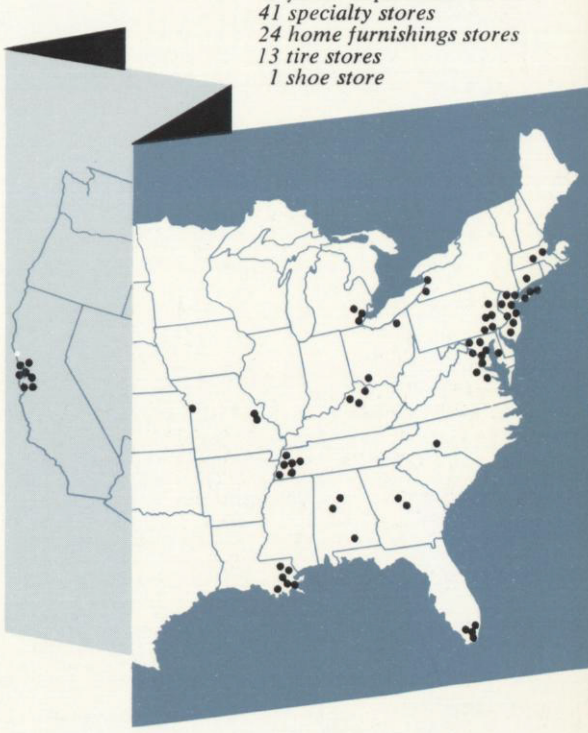
NEW JERSEY:
Milburn
Ridgewood
Union†

NEW YORK:
New York City
Forest Hills†
Garden City
Hempstead†
Manhasset
Riverdale†
White Plains
White Plains†

VIRGINIA:
Seven Corners

City Stores Company

operating
38 department stores
2 junior department stores
41 specialty stores
24 home furnishings stores
13 tire stores
1 shoe store



† *Clearance Centers*
* *To be opened in 1962*

CITY STORES COMPANY
132 WEST 31st STREET
NEW YORK 1, N. Y.

EXECUTIVE OFFICE

April 26, 1962

Gentlemen:

The enclosed Annual Report for the fiscal year ended February 3, 1962 is being sent to you because your name is on our permanent mailing list.

We are bringing our records up to date. If you would like to continue to receive these Reports each year, please indicate in the space provided below.

If this letter is not returned, we shall assume that you do not wish to receive our Annual Report in the future.

Very truly yours,

IRVING J. ZIPIN
Assistant Secretary

IJZ/cm
encl.

☐ Continue to send us your Annual Report.
Our correct address is as follows:

_____

_____

_____

Directors

GUSTAVE G. AMSTERDAM
JAMES H. BECKER
MURRY C. BECKER
DAVID BORTIN
FRANKLIN F. BRUDER
J. J. CAPRANO
RALPH L. GOLDSMITH
ALBERT M. GREENFIELD
BRUCE H. GREENFIELD
JOSEPH A. W. IGLEHART
CHARLES H. JAGELS
WILLIAM F. KELLY
BERNARD LITVAK
ISIDORE NEWMAN, II
LEONARD J. NOVOGROD
THOMAS C. PILLION
MAX ROBB
SERGE SEMENENKO

Annual Report

for the fiscal year ended February 3

1962

City Stores Company

Corporation Office
132 West 31st Street, New York 1, N. Y.

New York Buying Office
City Stores Mercantile Company
132 West 31st Street, New York 1, N. Y.

Officers

GUSTAVE G. AMSTERDAM, *Chairman of the Board*
MAX ROBB, *President*
FRANKLIN F. BRUDER, *Executive Vice President and Treasurer*
ISIDORE NEWMAN, II, *Senior Vice President*
WILLIAM S. DARROW, *Vice President*
BENJAMIN GOLDSTEIN, *Vice President*
CHARLES H. JAGELS, *Vice President*
BERNARD LITVAK, *Vice President*
IRVING J. ZIPIN, *General Attorney and Assistant Secretary*
J. KARL FISHBACH, *Corporate Controller and Assistant Treasurer*
MILTON A. KAMSLER, *Secretary*

Transfer Agent	The Chase Manhattan Bank, New York, N. Y.
Co-Transfer Agent	The First Pennsylvania Banking & Trust Company, Philadelphia, Pa.
Registrar	Chemical Bank New York Trust Company, New York, N. Y.
Counsel	Folz, Bard, Kamsler, Goodis & Greenfield, Philadelphia, Pa.
Auditors	S. D. Leidesdorf & Co., New York, N. Y.

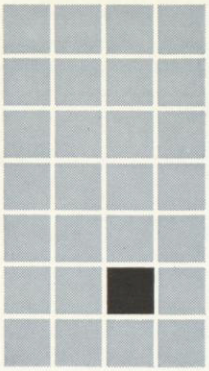
Annual Meeting May 16, 1962 • 11 A.M. (E.D.S.T.)
Sheraton-Atlantic Hotel, Broadway at 34th Street
New York, New York (Red Room, First Mezzanine)

Highlights

	February 3, 1962 (53 Weeks)	January 28, 1961 (52 Weeks)
*Operations**		
Sales	$286,886,000	$262,504,000
Income before federal income taxes	1,518,000	349,000
Federal income tax credit	—	*1,520,000*
Net income	1,518,000	1,869,000
Income per average common share	0.54	0.69
Dividends		
Common stock	1,683,000	2,424,000
Per share of common stock	0.60	0.90
Financial		
Current assets	98,843,000	85,898,000
Current liabilities	40,107,000	26,618,000
Working capital	58,736,000	59,280,000
Current ratio	2.5	3.2
Accounts receivable	66,245,000	56,185,000
Bank remittances on portion of receivables	*17,060,000*	*14,837,000*
Inventories	32,944,000	26,610,000
Property and equipment – net	42,512,000	38,456,000
Long term debt	32,840,000	27,443,000
Ownership		
Common stock equity	59,869,000	63,168,000
Common stock equity per share	20.86	22.83
Number of shares outstanding		
Common stock – average during year	2,804,000	2,694,000
Common stock – at end of year	2,869,453	2,767,012

Italics denote red figures.

* Exclusive of extraordinary items which did not result from the usual or typical business operations of the periods and have been charged to income reinvested in business or to reserves.



To the Stockholders:

The year 1961 and the first three months of 1962 brought to substantial completion the Company's program for the reconstruction of several of the major units of our Company – a plan begun some three years ago. The operational accomplishments of this period were significant and important to the Company and its future. These and the operating results of the Company for the past fiscal year are detailed in the following pages of this report.

Our largest unit, Lit Brothers, acquired four large suburban department stores and four automobile accessory stores in March of this year from the Snellenburg department store division of Bankers Securities Corporation, our parent company. At the same time, Lit Brothers entered into a management contract to furnish supervisory and related services for the operation of the Snellenburg center city store. The sharply increased sales and the greatly strengthened management organization resulting from the integration of the best of the executive staffs of the two store groups enabled Lit's to undertake important programs which were previously planned. An intensified value program has been substituted for the trading stamps which Lit's had distributed for over 50 years. Lit Brothers has also joined with Strawbridge & Clothier to make possible a much needed 1000 car central Philadelphia parking facility connecting with both downtown stores. All of the foregoing will enable Lit Brothers to improve its already strong competitive position in the dynamic and highly populated and industrialized Delaware Valley area which it serves.

Our newly acquired W. & J. Sloane enterprise has also made notable progress during the brief period of our ownership. A splendid new main store home for Sloane's is being created and a new central warehouse is under construction. Early in 1962 a group of fashionable home furnishings stores were added in Washington, D. C. and the West Coast operation acquired a store in San Jose, a rich and rapidly expanding area south of San Francisco. Negotiations for additional units are presently being conducted – both for the top-quality, regular store operations and for the very successful, promotional "clearance centers," a new format devised for the mass distribution of quality home furnishings.

Our specialty store operation has seen the culmination of over two years of back-breaking effort. The Franklin Simon chain has opened a modern and attractive store on 34th Street in New York City and has absorbed a total of twenty former Oppenheim Collins stores, many of which were modernized to conform to the demanding standards of the Franklin Simon operation. The resulting forty unit chain of fine fashion specialty stores is prepared to achieve the sales and profit results commensurate with the huge investment of funds and effort in this enterprise, which has been a primary concern of City Stores Company for the past several years.

A detailed review of major events and expansion is set forth below under the heading "Review of Operations." Important store branches have been opened in the suburbs of New Orleans, Miami and Louisville. Additional units, for an early opening, are under way in suburban Kansas City and central Boston.

The progress referred to above has involved substantial costs and capital outlays, which have materially diminished earnings for the past several fiscal years. Fortunately, our strong financial condition has enabled us to do those things which will help ensure the future of the Company. Most of the program of rebuilding and reconstruction has been accomplished and therefore we expect, during this fiscal year and in the years ahead, to achieve a more satisfactory profit result commensurate with the huge investment of money, knowledge and talent which has been injected into our operation. We are confident that 1962 will mark the upward swing toward which we and our capable and devoted associates have dedicated themselves for the past several years.

Mr. Robb, who has served the Company for 27 years, as a director for 13 years and as its President for the past four years, has informed the Board of Directors that he wishes to retire from operational duties and will not be available for reelection as President for the ensuing year. He will continue as a director of the Company and will maintain his long-time association with our parent company as Chairman of its Executive Committee. Your Chairman wishes to express to Mr. Robb at this time the heartfelt appreciation of the directors and co-workers for his devoted years of service to the Company, and to assure him of our affection and esteem. Mr. Robb has recommended that at the organization meeting in May 1962, the Board elect Isidore Newman, II to succeed him as President of City Stores Company. Mr. Newman is 55 years old and has been associated with our Company since 1932, is its Senior Vice President and has been a director since 1950. He was President of the Maison Blanche Division from 1949 until this month when he became Chairman and Eldridge P. Jones succeeded him as President of this Division. We are certain Mr. Newman will prove an inspiring leader during the exciting years of progress which we see in the immediate future of the Company.

Respectfully submitted,

Max Robb
President

Gustave G. Amsterdam
Chairman of the Board

April 25, 1962

Review of Operations

Sales and Income

In the fiscal year 1961 (53 weeks) sales totaled $286,886,000, compared with $262,504,000 for the fiscal year 1960 (52 weeks) an increase of $24,382,000 or 9.3%. The sales figures for 1961 and the corresponding income figures indicated below, include the West Coast operations of W. & J. Sloane from April 1, 1961, and the East Coast from September 1, 1961, representing the respective acquisition dates.

Income before taxes for 1961 amounted to $1,518,000, compared with $349,000 for 1960. No income tax provision was required for 1961. The 1960 operations reflected a federal income tax credit of $1,520,000, with a resultant net income for that year of $1,869,000. Net income per average share of common stock for 1961 was $.54, compared with $.69 per average share for 1960. The operating results are exclusive of certain extraordinary items which did not result from the usual or typical business operations of the period. These items arose primarily in connection with the merger of Oppenheim Collins into Franklin Simon, and were charged to income reinvested in the business, as more fully described in the accompanying financial statements.

Dividends

Dividends declared in 1961 amounted to $1,683,000 ($358,000 in cash and $1,325,000 in common stock) or $.60 per share compared with $2,424,000 ($1,058,000 in cash and $1,366,000 in common stock) in 1960. The 1961 dividends consisted of four dividends of $.15 per share each, payable in cash or in stock at the option of the stockholder. The 1960 dividends consisted of one dividend of $.25 payable in cash, and three dividends of $.25, $.25 and $.15 per share respectively, payable in cash or in common stock, at the option of the stockholder.

A dividend of $.15 per share was declared payable on May 18, 1962 in cash or stock at the option of the stockholder. This represents the 71st consecutive quarterly dividend paid since 1944.

Certain long term loan agreements, as described in Note F to the financial statements, contain provisions with respect to the payment of cash dividends.

Working Capital

Working capital amounted to $58,736,000 at the close of 1961, compared with $59,280,000 at the close of 1960, a decrease during the year of $544,000. During the year 1961 there were additions to working capital of $7,936,000, resulting from the combination of income from operations, increase in long term debt (net) and deferred credit items. The major use of working capital was an expenditure of $8,121,000 for property and equipment.

The ratio of current assets to current liabilities at the end of 1961 was 2.5, compared with 3.2 for the previous year.

Cash and marketable securities amounted to $13,502,000, compared with $15,383,000 for the previous year, a decrease of $1,881,000.

Before considering the proceeds from bank financing, accounts receivable amounted to $66,245,000 in 1961, compared with $56,185,000 in the prior year, after allowance for doubtful accounts. The increase arises essentially from the inclusion this year of the new Sloane accounts

receivable. After considering the proceeds from bank financing, accounts receivable increased from $41,348,000 last year to $49,185,000 this year.

Inventories

Merchandise inventories, priced principally at LIFO cost and partly at the lower of cost or market, increased from $26,610,000 last year to $32,944,000 this year. The increase represents largely the inclusion of the new Sloane inventories.

Taxes

Federal, state and local taxes during the year aggregated $5,537,000, equivalent to $1.98 per share of common stock. This compares with $3,673,000 and $1.36 per share of common stock for the previous year when there was a large federal income tax credit.

Ownership and Long Term Debt

During the year 1961 the Company placed a $7,500,000 five-year term loan with the First National Bank of Boston and also issued notes payable by installments over a three-year period for $1,907,000, (of which $693,000 is current) in connection with the purchase of the W. & J. Sloane business. Retirements during the year amounted to $3,317,000, resulting in a net increase in long term debt of $5,397,000. In addition, the Company decreased its mortgages not assumed by $617,000.

During the second year of the pension plan of the Company, 124 employees with average credited service of 27.5 years retired under the plan, receiving total pensions at the annual rate of $75,788. In the two years of the plan, which became effective February 1, 1960, a total of 224 employees have been retired under the plan, receiving total pensions at an annual rate of $151,311. In addition, a total of $369,527 is being paid as annual retirement benefits under the informal programs of the Company.

During the years 1960 and 1961 the Company issued stock options for 62,500 shares of the Company's common stock. Options representing 6,750 shares were terminated during the period, leaving a balance of 55,750 shares subject to option. On April 10, 1962, options for an additional 9,250 shares of common stock were granted to key managerial and executive employees of the Company, some of whom have received previous options, making a total of 65,000 shares presently subject to options and a balance of 60,000 shares available for future options. The options granted on April 10, 1962 were at a price of $12.11, being 95% of the official closing price ($12.75) of the common stock on that date.

Operations and Expansion

Lit Brothers: The noteworthy event of our largest store operation was the acquisition, effective March 5, 1962, of the four branch department stores and four tire and auto accessory centers of Snellenburgs, a Philadelphia department store. The resultant operation consists of ten department stores, seven tire and auto centers and one free-standing family shoe store, which was opened during the past year in Ellisburg Circle, New Jersey. The latter store is the Company's initial undertaking of a specialized retail unit. The erection of the parking facility attached to the main store has progressed further by the private placement of a $4,500,000 bond issue by the Philadelphia Parking Authority.

Maison Blanche: Our Maison Blanche store significantly increased its dominance of the New Orleans area by opening that city's largest and most beautiful suburban store in the rapidly growing Gentilly

Woods area. The older, long established Carrollton and Gentilly stores were converted into budget operations, as branches of the downtown Budget Annex. A fourth tire center was opened adjacent to the West Side store. Maison Blanche thus enters 1962 with every region of the New Orleans area covered by a major suburban department store and with two of the three major areas covered by budget stores. Always mindful of its fine organization and its employee and community relations, Maison Blanche during the past year initiated a Tulane University-Maison Blanche scholarship fund for the children of the co-workers of the store.

Loveman, Joseph & Loeb: The year 1962 is the 75th birthday of this key retailing organization in the greater Alabama area. Loveman's is known for fashion leadership, distinctive storekeeping and friendly service. During the past year, Loveman's was awarded the retail industry's highest public relations honor by the National Retail Merchants Association, resulting from a community service program which broadened cultural horizons of children in schools of Alabama, Mississippi and Georgia. A major renovation of the third and fourth floors of the main store, housing important ready-to-wear and home furnishings departments, has been undertaken in order to provide better presentation of merchandise and increase selling space.

Lansburgh's: The past year has been devoted chiefly to the continuing modernization of the main store in downtown Washington. The entire fashion floor was redone, general decor of the main floor was improved and several existing departments refurbished and new ones added. It is expected that the growth of the Washington area will result in generally increased business for the Lansburgh operation.

Lowenstein's: During the past year – this store's 106th year – emphasis was continued on fashions in wearing apparel and for the home. With the closing of the Bry sister store in Memphis in early April 1962, plans are already being made for a completely modern Lowenstein's store on the Bry location, just one block from the new Civic Center being developed nearby, containing the new Federal Building, City Hall and State Office Building. These plans may include an office building or hotel and will provide parking facilities. The new structure will place Lowenstein's in the heart of the urban rebuilding effort of downtown Memphis.

Richards: One of the Company's greatest potentials may be realized by our Richards operation in Florida. This state has doubled in population every twenty years of the past century and, since 1930, has moved from the 31st in rank in population to 10th place in the United States and by 1970, it is expected to become the 8th largest state in the nation. Average family income has risen substantially and over 900,000 housing units will have to be constructed by 1970. The Southeast coast of Florida has already begun to feel the tremendous impact from the NASA space projects. A seven billion dollar expenditure in Florida under this program will bring industry, jobs and enhanced retail markets. Richards has moved aggressively to capture and be prepared to capture an increasing share of this new retail market. In addition to improvements to the main store in downtown Miami, the store in 163rd Street Shopping Center to the North and the recently opened and well-received Cutler Ridge store to the South, a lease has been signed for a third suburban store of 60,000 square feet in the Westchester area to the West of the downtown unit. Plans are under way for adding stores in outlying areas to meet the challenge of these new frontiers.

Kaufman's of Kentucky: Under new executive management, a second suburban store, consisting of 80,000 square feet, was opened on March 21, 1962 in The Mall, in Shelbyville, eight miles East of the downtown store. This is Kentucky's first shopping center with an enclosed, covered mall as a central feature, providing year-round springtime temperatures under regulated heat and air conditioning. Forty stores face inward onto this mall for shopping convenience. Besides 320,000 square feet of total space, there is parking for up to 2500 automobiles.

Kline's, Hearn's and R. H. White: Each of these smaller-sized department stores has continued to manifest growth in its respective community. Kline's has signed a lease for its first branch unit of 40,000 square feet in the already established Ward Parkway Shopping Center on the outskirts of Kansas City, Missouri. The Hearn's Bronx store continues to increase its acceptance in its community and is presently considering an additional branch store. R. H. White, Worcester, has accomplished its goal of upgrading its merchandising and operations and continues to show marked progress.

CityMart: As its initial full-scale venture into the low margin, promotional mass merchandising field, sometimes referred to as "discount" stores, the Company plans to open, in late summer of this year, under the name of "CityMart," the first full-fledged promotional department store of major size in a downtown urban location. The store will be located in the former R. H. White building in Boston, Massachusetts, and will occupy approximately 300,000 square feet on six floors and a basement. The property is being renovated and new air conditioning is being installed. The store will be a coordinated operation of approximately 40 leased departments, selling budget to better quality merchandise at discount prices. It will include a supermarket on the street floor level and the usual service operations, such as a beauty parlor, restaurants and the like. Arrangements are being made for customer parking in several garages in the immediate vicinity of the store.

Franklin Simon: Following closely on the heels of its recent reorganization involving central merchandising and administration under a chain structure, this specialty store operation moved into the second phase of its program at the close of the past fiscal year by converting its Oppenheim Collins stores into a single 40-store Franklin Simon chain under central operation. The Fifth Avenue store has moved to fashionable quarters in the former Oppenheim Collins store on 34th Street, New York City, one of the busiest shopping streets in the world, midway between R. H. Macy's and Gimbel's on the one side and Ohrbach's and B. Altman's on the other. All stores have been upgraded to achieve the new emphasis of fashion in the Franklin Simon operation. A new Franklin Simon branch store of 15,000 square feet will be opened in Fall 1962 in Prince Georges Plaza, Prince Georges County, Maryland, north of Washington, D. C.

W & J Sloane: This operation, with its fine name and prestige in home furnishings, provides the Company with desirable diversification in its corporate ownership. The past year has seen an aggressive program of expansion to establish superiority in this field of operation. The main store, for many years at 47th Street and Fifth Avenue, has moved into new, larger and completely modernized quarters at 38th Street and Fifth Avenue, formerly occupied by Franklin Simon. To the eight Sloane stores on the East Coast have been added four fine fashion home furnishings stores in the Washington, D. C. area, formerly known as The Mayer Furniture Co. On the West Coast, a new store has been opened in San Jose, California, in addition to the four regular home furnishings stores in the San Francisco area. To permit its regular store operations to maintain new and current merchandise for its customers at all times and at the same time to provide the mass buying public with quality merchandise at reduced prices, Sloane presently operates five "clearance centers" on the East Coast and one in the San Francisco area. An additional clearance center is planned for Westport, Connecticut and one will open this year in Redwood City, California.

New York Buying Office: During the past year, the already successful central buying program was expanded to include various additional departments of ready-to-wear in several of the basement and budget operations of the Company's stores. All other merchandising programs continue. Our purchasing of imports has been facilitated and accelerated through new arrangements with offices better able to provide wider foreign markets.

Statement of Income

	Year Ended (53 Weeks) February 3, 1962	Year Ended (52 Weeks) January 28, 1961
Sales (including leased departments)	$286,885,910	$262,503,570
Deduct:		
Cost of goods sold and operating expenses less carrying charges – Note J-5	278,967,276	256,222,602
Depreciation and amortization	4,063,447	3,729,889
Interest and debt expense	2,745,210	2,623,987
	285,775,933	262,576,478
	1,109,977	*72,908*
Net income of unconsolidated subsidiaries (depreciation of $427,991 and $429,257, respectively, deducted) – Note A	201,119	222,244
Miscellaneous other income	206,964	168,313
Minority share of net loss of subsidiary	—	31,655
Income before federal income taxes	1,518,060	349,304
Federal income taxes:		
Tax credit – reduction in deferred federal income taxes (net)	—	*1,520,000*
Net income – Note E	$ 1,518,060	$ 1,869,304

Italics denote red figures.
Exclusive of extraordinary items which did not result from the usual or typical business operations of the period and have been charged to income reinvested in business or to reserves.
See notes to financial statements, pages 13 through 15.

Statement of

ASSETS

	February 3, 1962	January 28, 1961
CURRENT ASSETS		
Cash	$ 13,438,313	$ 15,115,302
Marketable securities — at cost (approximate market)	63,428	267,725
Accounts receivable — Note B	49,184,618	41,347,823
Merchandise inventories — Note C	32,943,539	26,609,559
Supplies and prepaid expenses	3,213,234	2,557,533
TOTAL CURRENT ASSETS	98,843,132	85,897,942
INVESTMENTS AND OTHER ASSETS		
Investments in and net receivables from unconsolidated subsidiaries — Note A and see page 12	4,635,696	4,390,255
U. S. Government securities deposited as security under leases	259,529	264,644
Mortgages receivable, sundry investments and other items	939,530	1,378,898
Refundable prior years' federal income taxes	129,442	129,442
	5,964,197	6,163,239
PROPERTY AND EQUIPMENT — Note D		
Land, buildings, leaseholds, fixtures and equipment — at cost	71,516,092	66,572,755
Less accumulated depreciation and amortization	29,003,969	28,117,038
	42,512,123	38,455,717
UNAMORTIZED DEBT EXPENSE	136,928	156,456
	$147,456,380	$130,673,354

See notes to financial statements, pages 13 through 15.

Financial Condition

LIABILITIES	February 3, 1962	January 28, 1961
CURRENT LIABILITIES		
Accounts payable, accrued and sundry liabilities	$ 26,426,536	$ 18,105,398
Due for purchase of accounts receivable (previously sold by newly formed subsidiary or its predecessor)	4,545,942	—
Federal income taxes – Note E	5,219,259	5,327,858
Current portion of long term debt and mortgages not assumed	3,915,351	3,185,041
TOTAL CURRENT LIABILITIES	40,107,088	26,618,297
LONG TERM DEBT (other than mortgages not assumed) – Note F	32,839,885	27,443,000
RESERVES – Note G	2,090,707	1,178,315
DEFERRED FEDERAL INCOME TAXES, applicable to accelerated depreciation – Note E	2,032,400	1,880,300
MORTGAGES NOT ASSUMED – Note D	8,718,185	9,334,698
DEFERRED CREDIT – Note H	1,799,250	1,050,524
OWNERSHIP – Note I		
Common stock – $5 par value – authorized 6,000,000 shares; outstanding 2,869,453 shares (after deducting 12,423 shares in treasury)	14,347,267	13,835,062
Other capital	19,619,769	18,807,230
Income reinvested in business – Note F	25,901,829	30,525,928
	59,868,865	63,168,220
	$147,456,380	$130,673,354

Statement of Income Reinvested in Business – Note I

	Year Ended (53 Weeks) February 3, 1962	Year Ended (52 Weeks) January 28, 1961
Balance at beginning of year	$30,525,928	$31,080,896
Net income	1,518,060	1,869,304
	32,043,988	32,950,200
Liquidation losses and extraordinary costs:		
Termination of the Oppenheim Collins chain and its conversion and merger into the Franklin Simon chain:		
Incurred	1,702,241	—
Estimated to be incurred	600,000	—
Vacating the Franklin Simon Fifth Avenue store and relocating into the former Oppenheim Collins 34th Street building	382,445	—
Losses on fixtures and equipment of stores vacated or remodeled in connection with the above	826,376	—
Losses on unoccupied premises of closed stores:		
Incurred	332,785	—
Estimated to be incurred	615,000	—
	4,458,847	—
Dividends:		
Cash	358,568	1,058,314
Stock	1,324,744	1,365,958
	1,683,312	2,424,272
Balance at end of year – Note F	$25,901,829	$30,525,928

See notes to financial statements, pages 13 through 15.

Unconsolidated Real Estate Subsidiaries – Combined Summary of Net Assets* – Note A

	February 3, 1962	January 28, 1961
Land, buildings, leaseholds and equipment, less depreciation (includes unoccupied premises of closed stores)	$12,355,195	$12,649,652
Mortgages and loan payable – current portions $334,588 (this year) and $882,734 (last year)	8,181,002	8,701,536
	4,174,193	3,948,116
Other assets, including cash of $73,019 (this year) and $61,300 (last year)	794,832	788,496
	4,969,025	4,736,612
Accounts payable and federal income taxes	333,329	346,357
Net assets	$ 4,635,696	$ 4,390,255
Consisting of:		
Intercompany accounts with parent companies – net	$ 3,791,470	$ 3,255,230
Capital stocks and surplus	844,226	1,135,025
	$ 4,635,696	$ 4,390,255

* Three liquidated subsidiaries remain liable on mortgages (Note D) which are not included herein.

Leases:

The minimum annual rentals upon real property leased to unconsolidated subsidiaries under leases expiring more than 3 years from February 3, 1962 amounted to approximately $350,000 of which approximately $250,000 pertains to properties leased to City Stores Company. Certain of the leases with an aggregate minimum annual rental of approximately $200,000 have been guaranteed by City Stores Company. Certain of the leases provide for payment of additional rental based on a percentage of sales (related to premises occupied by parent or consolidated subsidiaries) over a fixed amount, and for taxes, insurance or other charges.

Notes to Financial Statements

The financial statements for the preceding year are included for comparison purposes only. Reference should be made to the previously issued Annual Report for the Accountants' Report and notes relating to those financial statements.

A — PRINCIPLES OF CONSOLIDATION

The accounts of all subsidiaries are included in the accompanying consolidated financial statements, except those of certain real estate subsidiaries, the investments in which are included in the accompanying statement of financial condition at amounts equal to the net assets of such subsidiaries. A summary of such net assets is set forth on page 12. The current year's financial statements include the net assets and related operating accounts of a subsidiary, W. & J. Sloane, Inc., the West Coast operations of which started on April 1, 1961 and the East Coast on September 1, 1961.

B — ACCOUNTS RECEIVABLE

The Company has agreements with various banks which provide, in effect, for a form of revolving credit under which specific accounts receivable are assigned to the banks, and the banks remit amounts equal to 90% of the accounts assigned, withholding 10% of the uncollected balances representing the Company's equity. Under the agreements, the Company accepts reassignment of any accounts in default (as defined) as long as it continues to assign accounts.

The accounts receivable are summarized as follows:

	This Year	Last Year
Accounts receivable customers and others—after deducting $7,285,712 (this year) and $6,818,814 (last year) received on account of the sale of a portion of installment receivables	$68,916,691	$58,292,419
Less:		
Accounts receivable assigned net of equity of $1,895,591 (this year) and $1,648,548 (last year)	17,060,322	14,836,931
Allowances for doubtful accounts	2,671,751	2,107,665
	19,732,073	16,944,596
	$49,184,618	$41,347,823

C — MERCHANDISE INVENTORIES — Determined principally under Retail Method

Merchandise inventories, as summarized below, are priced principally at LIFO cost and partly at the lower of cost or market. The inventories priced at LIFO cost would be approximately $5,046,000 more for this year and $4,998,000 more for last year if they had been priced at the lower of cost or market.

	This Year	Last Year
At LIFO cost	$23,821,920	$22,281,566
Less:		
Allowance for discounts	*614,267*	*490,185*
Allowance for markdowns and liquidation costs	*343,812*	—
	22,863,841	21,791,381
At lower of cost or market	10,079,698	4,818,178
	$32,943,539	$26,609,559

Italics denote red figures.

D — REAL ESTATE

The accounts include real estate in the net amount of $8,963,308, principally store properties, subject to mortgages which at February 3, 1962 amounted to $9,317,765. The Company is not liable on the mortgage notes.

E — FEDERAL INCOME TAXES

The Company records income from installment sales for financial accounting purposes at the time sales are made and for tax purposes generally on the basis of cash collections. The deferred federal income taxes on installment sales are included in the current liability for federal income taxes.

No provision for federal income taxes was required for the current year due to the availability of unused loss carryovers. If such carryovers had not been available, provision for federal income taxes applicable to net income would have been approximately $815,000.

The accompanying financial statements are subject to final determination of federal, state and local taxes.

F — LONG TERM DEBT (other than mortgages not assumed)

Long term debt is summarized as follows:

	This Year	Last Year
Notes payable – bank and insurance company	$29,284,000	$24,767,000
4% sinking fund debentures (subordinated) – payable $300,000 annually	2,342,000	2,676,000
Other notes payable	1,213,885	—
	$32,839,885	$27,443,000

Annual maturities of notes payable under loan agreements with The Prudential Insurance Company of America and The First National Bank of Boston aggregate $1,983,000 in 1962, $3,858,000 from 1963 to 1966, $1,983,000 from 1967 to 1970, $5,583,000 in 1971, and approximately $83,000 from 1972 to 1975. Maturities of other notes payable aggregate approximately $333,000 in 1962, $692,000 in 1963, and $521,000 in 1964. The loan agreements provide, among other things, for (1) the maintenance of minimum consolidated working capital of $50,000,000, (2) restrictions on the purchase, redemption or other acquisition of the Company's stock, and (3) restrictions on the payment of cash dividends on the Company's common stock. Notwithstanding the restrictions on cash dividends computed under formulas in the agreements as they pertain to (3) above, the holders of the notes have agreed that the Company be permitted to pay cash dividends in an amount not in excess of $.15 per share on each of four quarterly dividend payment dates during the year ending March 1, 1963, provided that in connection with the declaration of each such dividend, each holder of common stock shall be given the option to receive, in lieu of cash, shares of common stock of the Company equivalent in value. The amount of any cash dividends paid during the years 1959 through 1962 is to be included in any subsequent computations under the formulas in the agreements pertaining to such restrictions.

G — RESERVES

The reserves are provided for the following:

	This Year	Last Year
Restoration of leased properties	$ 441,899	$ 441,899
Termination of store operations	474,334	89,298
Excess rentals	598,676	647,118
Deferred compensation	575,798	—
	$ 2,090,707	$ 1,178,315

Reserve for termination of store operations represents the estimated expense to be incurred at vacated stores, less amounts included in current liabilities.

Reserve for deferred compensation includes $149,583 which had been shown in current liabilities last year and $170,947 representing the liability assumed by a new subsidiary.

H — DEFERRED CREDIT

This amount (less portion included in current liabilities) arose in connection with sales during the current and prior year of rights to receive rents from certain tenants within the period ending April 30, 1965.

I — OWNERSHIP

On May 17, 1961, the stockholders approved the increase in authorized common stock from 3,000,000 shares to 6,000,000 shares.

Common stock outstanding includes 25,743 shares subsequently issued with respect to the optional cash or stock dividend declared January 9, 1962 and paid February 16, 1962.

The Company's restricted Stock Option Plan makes available for granting to selected key executives and managerial employees, stock options to purchase 125,000 shares of the Company's common stock at not less than 95% of the market price on the date of grant. Options granted are exercisable in nine annual installments on a cumulative basis commencing 18 months from grant dates. As at February 3, 1962, options were outstanding for 55,750 shares granted during the two years then ended, at prices ranging from $12.00 to $14.13 per share. On April 10, 1962, options for 9,250 shares were granted at $12.11.

The increase of $812,539 in other capital represents the excess of the approximate market value over par value of 102,441 shares issued in connection with optional cash or stock dividends.

During 1961, the Company began to terminate its Oppenheim Collins chain and merge it into a reorganized Franklin Simon chain. Consequently, in accordance with a program of merger, the warehouse and distribution center was moved; certain Oppenheim Collins stores, including its main store in New York, were closed; the Franklin Simon main store in New York was closed at its 38th Street location and moved into the remodeled former premises of Oppenheim Collins (in 1962); and liquidating sales of Oppenheim Collins were started in January 1962 and completed in March 1962, at which time certain Oppenheim Collins stores were refurbished and converted into Franklin Simon stores. The liquidating losses and extraordinary costs relative to the foregoing, incurred or estimated to be incurred, have been charged to income reinvested in business.

J — CONTINGENCIES AND OTHER COMMENTS

1. The minimum annual rentals upon real property leased to the Company and its consolidated subsidiaries under leases expiring more than three years from February 3, 1962, amount to approximately $1,656,000 under leases with the unconsolidated real estate subsidiaries and $5,500,000 under leases with others. Certain of the leases provide for payment of additional rental based on a percentage of sales over a fixed amount, and for taxes, insurance or other charges. Reference is made to summary of net assets of the unconsolidated real estate subsidiaries for minimum rentals payable by such subsidiaries.
   Certain leases provide for the restoration of the related properties to their original condition, in connection with which, upon vacating such properties, there may be incurred costs in an amount presently indeterminable. Accordingly, no provision has been made in the accounts for such costs, except as to $441,899 (included in the tabulation of reserves in Note G) recorded on the acquisition of a subsidiary in a prior year.
2. Commitments for acquisition of non-current assets, including property and equipment, aggregate approximately $6,500,000.
3. The Company's non-contributory pension plan (as amended) covers, generally, employees with 20 years of service who are not participants in any other plan to which the Company contributes. The plan provides for retirement at age 65 with no vesting of rights. Although the Company does not presently contemplate funding this plan, it may do so in the future. The Company may amend, modify or terminate the plan in whole or in part at any time. The benefits paid under this plan, which are charged to operations as paid, amounted to $85,900 in 1961 and will increase to an annual rate of approximately $435,000 in 1969. Payments under informal arrangements to presently retired employees (approximately $420,000 this year) will gradually decline, based on mortality factors. The amount which would have been necessary to fund this plan, as at February 3, 1962, with respect to past services as related to employees 55 years of age and over and retired employees, has been estimated by the Company's actuary at approximately $5,965,000. The past service cost for other eligible employees has not been computed.
4. The Bry Block store began a process of liquidation during March 1962. In the opinion of management the loss resulting from liquidation will not have a materially adverse effect on the Company's financial position.
5. During 1961 Novogrod, Inc. (a newly formed consolidated subsidiary) acquired the inventories, fixtures and certain other operating assets of K. H. T. Corporation (formerly W. & J. Sloane, Inc., Maine), a retail home furnishings chain. Novogrod, Inc. changed its name to W. & J. Sloane, Inc. (Delaware). The contract which provided for the acquisition consisted of a West Coast operation and an East Coast operation. The West Coast was effective March 31, 1961 and has been settled. The East Coast was effective August 31, 1961, but has not yet been completely settled. In the opinion of management the final settlement of the East Coast will have no material effect on the financial statements as at February 3, 1962.
   The contract of purchase for both the West and East Coast assets provided for payment partly in cash and partly in installments (included partly in long term debt and partly in current portion of long term debt).
   The contract to purchase provided, among other things, for the acquisition of inventories on the West Coast at a fixed percent reduction from seller's book value and on the East Coast at an agreed-upon dollar reduction from seller's book value. The total net purchase price of the inventories was less than the aggregate amounts carried on the books of the seller, which, after applying an estimated amount relating to merchandise on hand at February 3, 1962 resulted in a reduction of approximately $1,000,000 in cost of goods sold, before making any allowance for purchaser's risks and obligations assumed in the acquisition, for such items as markdowns not reflected in the seller's inventories, and for other costs incurred.
6. The Company has given certain executives of W. & J. Sloane, Inc. (a consolidated subsidiary) the right to purchase a maximum of 20% of the capital stock of such subsidiary. Such right to purchase the stock is limited and restricted by certain conditions and expires September 1, 1962. Upon any termination of employment including death, the purchaser of the stock or his estate is required to resell the stock to the Company.

Accountants' Report

S. D. LEIDESDORF & CO.
CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK, N. Y.

To the Board of Directors, City Stores Company, New York, N. Y.

We have examined the consolidated statement of financial condition of City Stores Company and consolidated subsidiaries as at February 3, 1962, and the related consolidated statements of income and income reinvested in business for the year (53 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of W. & J. Sloane, Inc. included in the accompanying consolidated financial statements were examined and reported upon by other public accountants.

In our opinion, based on our examination and the report of the public accountants referred to in the preceding paragraph, the accompanying consolidated statement of financial condition and consolidated statements of income and income reinvested in business, together with the notes to financial statements, present fairly the consolidated financial position of City Stores Company and consolidated subsidiaries at February 3, 1962, and the consolidated results of their operations for the year (53 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

New York, N. Y.
April 18, 1962

S. D. LEIDESDORF & CO.

Historical Comparison

	February 3, 1962	January 28, 1961	January 30, 1960	January 31, 1959	February 1, 1958	February 2, 1957
Operations*						
Sales	$286,886,000	$262,504,000	$274,633,000	$268,964,000	$263,747,000	$272,119,000
Index of sales	105%	96%	101%	99%	97%	100%
Income before federal income taxes	1,518,000	349,000	5,654,000	5,058,000	6,540,000	5,834,000
Federal income taxes	—	*1,520,000*	2,900,000	2,750,000	3,200,000	2,313,000
Net income	1,518,000	1,869,000	2,754,000	2,308,000	3,340,000	3,521,000
Income applicable to common stock	1,518,000	1,869,000	2,754,000	2,272,000	3,298,000	3,471,000
Income per average common share	0.54	0.69	1.09	0.90	1.31	1.38
Dividends						
Preferred stock	—	—	—	36,000	42,000	50,000
Common stock	1,683,000	2,424,000	2,525,000	3,282,000	3,534,000	3,534,000
Per share						
Preferred stock	—	—	—	4.25	4.25	4.25
Common stock	0.60	0.90	1.00	1.30	1.40	1.40
Financial						
Current assets	98,843,000	85,898,000	94,718,000	99,943,000	96,495,000	106,098,000
Current liabilities	40,107,000	26,618,000	34,320,000	34,263,000	30,285,000	32,574,000
Working capital	58,736,000	59,280,000	60,398,000	65,680,000	66,210,000	73,524,000
Current ratio	2.5	3.2	2.8	2.9	3.2	3.3
Accounts receivable	66,245,000	56,185,000	63,876,000	62,299,000	60,922,000	67,292,000
Bank remittances on portion of receivables	*17,060,000*	*14,837,000*	*12,871,000*	*12,283,000*	*12,871,000*	*10,999,000*
Inventories	32,944,000	26,610,000	30,235,000	27,892,000	31,996,000	34,904,000
Property and equipment — net	42,512,000	38,456,000	38,953,000	39,505,000	28,117,000	26,755,000
Long term debt	32,840,000	27,443,000	29,128,000	32,336,000	32,371,000	34,610,000
Ownership						
Preferred stock	—	—	—	—	882,000	1,068,000
Common stock equity	59,869,000	63,168,000	62,294,000	61,755,000	63,101,000	66,421,000
Common stock equity per share	20.86	22.83	23.31	24.46	24.99	26.31
Number of common shares outstanding						
Average during year	2,804,000	2,694,000	2,525,000	2,525,000	2,524,000	2,524,000
At end of year	2,869,453	2,767,012	2,672,766	2,524,553	2,524,567	2,524,374

Italics denote red figures.

* Exclusive of extraordinary items which did not result from the usual or typical business operations and have been credited or charged to income reinvested in business or to reserves.

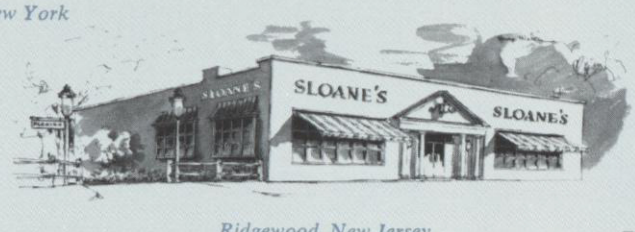
Milburn, New Jersey

Garden City, Long Island, New York

Stamford, Connecticut

White Plains, New York

Milford, Connecticut



Ridgewood, New Jersey

Manhasset, Long Island, New York

The 24 newly acquired W & J Sloane home furnishings and interior decorating stores . . . 7 in California, 4 in Washington, D. C., 13 in New York, New Jersey, Connecticut. . . . Illustrated: center, new 5th Avenue store at 38th Street and seven suburban stores in the New York area.

Franklin
SIMON

Lit Brothers

MAISON BLANCHE

KAUFMAN'S
OF KENTUCKY

W & J Sloane

LOVEMAN'S

Richards

Lansburgh's

Kline's

R.H. WHITE'S

Lowenstein's

Hearn's

CityMart